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The Impact of Creativity and Innovation on Increasing Micro Enterprise Income PKL Gading Fajar Sidoarjo

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ABSTRACT

Purpose : The purpose of this research first to identify and analyze variables influence creativity and innovation simultaneously towards entrepreneurship. Second, to identify and analyze variables influence creativity partially towards entrepreneurship. Third, to identify and analyze the partial effect of the innovation variables on entrepreneurship. Fourth, to identify and analyze the dominant influence between creativity and innovation of entrepreneurship..

Design/methodology/approach : This type of research is exploratory. Types of data used are data collected by primary and save a list of questions.

Findings : The results are as follows: first, variables influence creativity and innovation simultaneously towards entrepreneurship. Second, creativity variables partially influence on entrepreneurship. Third, innovation variables partially influence on entrepreneurship. Fourth, innovation variables have the most impact on entrepreneurship.

Research limitations/implications : Location of the research done on small welding shop in the district of Sidoarjo.

Practical implications : The essence of entrepreneurship is the ability to create something new and different through creative thinking and innovative action to create opportunities.

Originality/value : The role of SMEs can be said to be very important in the national economy. The role is mainly in the aspects such as increased employment opportunities, equity, income, rural economic development, and increase non-oil exports. Entrepreneurship is the ability to be creative and innovative basic, tips, and resources to look for opportunities to success.

Paper type : Research paper

Keyword : *creativity, innovation, entrepreneurship and small business*

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INTRODUCTION

The understanding Micro Business is described in the Law of Micro, Small, Medium Enterprises (MSMEs) no. 20 year 2008 is productive business owned by individual and / or individual business entity fulfilling the criteria of Micro Enterprises as regulated in this Law. And street vendor (PKL) belong to micro business category.

The government's efforts to maintain MSME growth have resulted in two strategic programs, namely the entrepreneurship program and partnership program. The entrepreneurship program will be a base in human resource development. This is considered important and strategic because human resources are the basic elements that become the subject or the agent of development. The scarcity of natural resources can be overcome if quality human resources. Apparently in the calculus of economic development, entrepreneurship becomes an important factor that has been forgotten a lot. Yaghoobi, Salarzahi, Aramesh and Akbari (2010) stated that entrepreneurs are people who dare to open independent productive activities.

Entrepreneurship is a humanitarian characters that works great in managing a business, because entrepreneurs with an entrepreneurial spirit will show the dynamic, innovative and adaptive nature of innovations to the changing progress of science and technology. With high entrepreneurship then management will be able to be repaired continuously.

The formulation of the problem in this research is: Is Creativity (X1) and Innovation (X2) partially and simultaneously influence to increase income (Y). The purpose of this research is to test and explain the magnitude of effect of Creativity (X1) and Innovation (X2). simultaneously to Income Increase (Y).

This research can be used as input material for street vendors about Creativity and Innovation so that it can increase income and result of this research is expected to be used as empirical evidence on Entrepreneurship



Theory which is often used as a thinking base to know the relationship between Creativity and Innovation.

MATERIAL AND METHOD

The type of research conducted is Explanatory Research. This research type is chosen in order to build an analysis result that can function to explain, predict and control a symptom or relation between independent variable with dependent variable (Sugiyono, 2005: 56). In this study, the data used are primary and secondary data. Primary data is obtained from street vendors (PKL) about the variables of creativity, innovation and income increase through the distribution of questionnaires to respondents. The population in this study are the street vendors (PKL) Gading Fajar, which number 30 in Sidoarjo District Sidoarjo Regency. And this study will use the total population because the amount is not too large.

The method of data analysis used in this research is by using method of quantitative analysis. Quantitative analysis method is a method performed on data in the form of numbers or numbers by collecting data, classifying data, explain, and analyze, so as to provide appropriate information and picture. Analysis of data used to determine the effect of two independent variables or more together to the dependent variable. The magnitude of the effect will be shown by the regression coefficient. Many observational data are occurring as a result of more than 2 variables. According Sugiyono (2004: 217) with the number of independent variables then to find the influence of the three variables above using the formula:

$$1. Y = a + b_1X_1 + b_2X_2 + b_3X_3$$

RESULT AND DISCUSSION

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In accordance with the results of primary data analysis then each instrument used in the study has a test result that shows that the value of Sig.correlation $< \alpha$ (5%) which means that all variables used in research instrument is valid. And it has test results showing that Cronbach Alpha is above 0.6. The reliability test results can be said that all variables used in this study is reliable.

Based on the data of the questionnaire distribution that has been done and then processed through the application software program SPSS 14.00 for windows, it can be seen the results of multiple linear regression analysis partially and simultaneously. The results of multiple linear regression analysis can be seen in Table 1.

Table 1. Results of Multiple Linear Regression Analysis

Model	<i>Unstandardized Coefficients</i>	<i>Standardized Coefficients</i>	t		Sig
	B	Std.Error	Beta		
(Constant)	-68.703	15.658		-4.388	.000
Kreativitas	.267	.093	.345	2.881	.007
Inovasi	.675	.137	.587	4.909	.000
<i>Koefisien Determinasi (R²) : 0,702</i> <i>Multiple Correlation (R) : 0,838</i> <i>Fhitung = 37.650</i> <i>α = 5% Signifikansi = 0,000</i>					

Source: Primary Data Processed, 2016.



From result of calculation of doubled linear regression analysis in Table 1 shows that influence of independent variable to dependent variable is big, it can be seen on coefficient of determination value (R^2) that is equal to 0,702 with significance level F Count 0.000. The result of the calculation can be explained that the influence of creativity and innovation to increase income can be explained by 70.20% while the rest of 29.80% explained by other variables not included in this research model. Multi correlation coefficient R (multiple correlation) illustrates the strength of the relationship between independent variables including creativity and innovation variables together to the dependent variable of entrepreneurship of 0.838. Similarly, the level of significance of creativity and innovation variables <0.05 indicates that the effect of real variables of creativity and innovation partially.

This means the relationship between the overall variable is very closely because the value of R is close to 1. Interpretation of the regression model can be formulated a multiple regression equation as follows:

$$Y = - 68.703 + 0,267 X_1 + 0,675 X_2$$

From the equation of multiple linear regression line, it can be interpreted that:

$b_1 = 0,267$ is slope or coefficient of direction of creativity variable influence to increase of income, regression coefficient (b_1) equal to 0,267 with positive sign. The results can be explained that income increases when creativity increases with the assumption that variables outside of creativity have values equal to zero or are considered to have a constant effect. Creativity involves being open to experience, loving to see things in an unusual way, sincerely, accepting and reconciling something contradictory, tolerating something unclear, independent in making decisions, thinking and acting, requiring and assuming autonomy,



self-confidence, the subject of group standards and control, willing to take calculated, persistent, problem-sensitive risks, the ability to generate generic ideas, flexible authenticity, responsiveness to feelings, open to unclear phrases, motivations, free of taste fear of failure, thinking in imagination, selective and innovation include: analyzing opportunities, what to do to satisfy opportunities, simple and focused starting from small, partially influencing income variables.

$b_2 = 0,675$ represent slope or coefficient of direction of variable of innovation have an effect to increase earnings of regression coefficient (b_2) equal to 0,675 with positive sign. The result can be explained that income will increase if innovation increases with the assumption that variables outside innovation have values equal to zero or are considered to be constantly influential. Innovations that include analyzing opportunities, what should be done to satisfy opportunities, simple and focused starting from a small, partially affect the income variable..

DISCUSSION

Entrepreneurship

Jong and Wennekers (2008) states that entrepreneurship can be defined as taking risks to run your own business by exploiting opportunities to create new business or innovative approaches so that managed businesses grow bigger and more independent in the face of competitive challenges. Keywords of entrepreneurship are: taking risks, running your own business, taking advantage of opportunities, creating new ventures, innovative, independent approaches (eg not dependent on government assistance).

Baldacchino (2009) states that entrepreneurship is a creative and innovative ability that is used as the basis, tips, and resources to seek opportunities for success. The essence of entrepreneurship is the ability to



create something new and different through creative thinking and innovative action to create opportunities. Creativity is the ability to develop new ideas and new ways of solving problems and finding opportunities. The point of creativity is to think of something new and different. While innovation is the ability to apply creativity in order to solve problems and find opportunities. The point of innovation is the ability to do something new and different.

An entrepreneur must have new ideas that result from a creativity. Creativity is what will bring entrepreneurs to innovate against his business.

Creativity

Suryana (2003) states that creativity is: "Thinking something new". "Creativity as the ability to develop new ideas and to discover new ways of solving problems in the face of opportunities".

Creativity is a relevant topic not only for start-up entrepreneurs, but also for business and business activities in general. Kreativitas is an important source in the creation of competitiveness for all organizations that are concerned with growth and change. A. Roe in Frinces (2004) states that the creative person's requirements are:

- a) Openness to experience (openness to experience).
- b) Observations see in the usual way (observance seeing things in unusual ways).
- c) Curiosity tolerance of ambiguity (tolerance of apporites)
- d) Independence in judgment, thought and action (independence in judgment, thought and action)
- e) Require and accept autonomy (needing and assuming autonomy)
- f) Self-reliance (self-reliance)
- g) Not being subject to group supervision (not being subject to group standard and control).



- h) Availability to take calculated risks (willing to take calculated risks).

Innovation

Larsen, P and Lewis, A, (2007) states that one of the most important characters of the entrepreneur is his ability to innovate. Without innovation the company will not last long. This is due to customer needs, wants, and customer demands. Customers will not always consume the same product. Customers will look for other products from other companies that are perceived to satisfy their needs. For that reason, it needs continuous innovation if the company will go further and still stand by its business. Innovation is something about goods, services or ideas that are felt new by someone. Although the idea has long existed but this can be said an innovation for people who just saw or felt it.

The Gading Fajar Traders can innovate in the areas of:

- 1) Product innovation (goods, services, ideas and places).
- 2) Management Innovation (work process, production process, marketing finance, etc.).

In doing innovations need to pay attention to the following principles:

- 1) Analyzing opportunities,
- 2) What to do to satisfy the opportunity,
- 3) Simple and purposeful,
- 4) It starts from a small, and
- 5) Leadership

Hills (2008) defines innovation as an idea, practice or object considered new by an individual or other user unit. Suryana (2003) innovation is: "as the ability to apply creativity in order to solve problems and opportunities to enhance and enrich life".

Keeh, et.al (2007) explains innovation is very important because there are the following reasons:



- 1) Technology changes very rapidly as new products, processes and services emerge from competitors, and this encourages entrepreneurial efforts to compete and succeed. All you have to do is adjust to new technological innovations.
- 2) The effects of environmental changes on the product life cycle are shorter, meaning that old products or services must be replaced with new ones in quick time, and this can happen because there are creative thinking that generates innovation.
- 3) Consumers today are smarter and demand fulfillment. Hope in the fulfillment of needs expect more in terms of quality, renewal, and price. Therefore, innovative skills are needed to satisfy the needs of consumers while keeping customers as customers.
- 4) With the rapidly changing market and technology, a good idea can be more easily replicated, and this requires new, better and better method of using products, new processes, and faster services.
- 5) Innovation can lead to faster growth, increase market segments, and create better corporate positions

Street vendors (PKL)

The understanding Micro Business in the Law of Micro, Small, Medium Enterprises (MSME's) No. 20 of 2008 is a Micro Enterprise is a productive enterprise owned by natural persons and / or individual business entities that meet the criteria of Micro Enterprises in this Law.

Based on the Micro Small Medium Enterprises Act (UMKM) no. 20 Year 2008 in Chapter IV Article 16 Criteria Micro business is having a net worth of at most Rp 50.000.000, - (Fifty Million Rupiah) excluding land and building place of business. Based on criteria That is above PKL Gading Fajar Sidoarjo into the category of Micro Business.



HYPOTESIS

Based on the theoretical foundations and the results of previous research hence can be prepared this research hypothesis is creativity and innovation partially and simultaneously to the increasing of the income of PKL of Gading Fajar Sidoarjo

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